

# STAMPS & COINS

## U.S. bullion-coin program will get a late start to keep apace of demand

By Roger Boye

**U**nkle Sam's bullion-coin program will debut on Oct. 20 when officials begin selling valuable gold pieces to wholesale distributors.

That planned start date will miss the original Oct. 1 target because of an expected robust reception.

"Market research indicates that demand will be far greater than we had anticipated," said Eugene H. Essner, deputy director of the United States Mint. "We need the extra time [to build inventory]."

Under legislation passed last December, Treasury personnel will issue the following four items—presumably for years to come:

- A \$50 coin containing one troy ounce of gold,
- A \$25 coin with one-half troy ounce of gold,
- A \$10 coin with one-quarter troy ounce of gold, and
- A \$5 coin with one-tenth troy ounce of gold.

Although each keepsake will be "legal tender," none will be used as money because the worth of the metal will exceed face values. People buy such "bullion coins" as a convenient way to invest in gold or other precious metals, rather than to spend at a grocery store.

Under current plans, federal workers will sell the four coin types to wholesale distributors in minimum quantities of 5,000

ounces. Those distributors then will send the gold to selected coin dealers, metal traders and banks for sale to individual investors.

"We won't control prices at the retail level; it will be a free marketplace," Essner said earlier this month at the American Numismatic Association convention in Milwaukee. "Our plans are modeled after successful sales programs used for the Krugerrand and maple leaf [two other bullion gold coins]."

Although Essner refused to estimate the gold-coin cost to individuals, other experts in Milwaukee suggested that the one-ounce piece will retail for the spot gold price plus a premium of from 6 to 8 percent. In other words, consumers might pay about \$430 for the \$50 face-value coin if the price of gold on the spot market is \$400 an ounce on the day of purchase.

Premiums on the other coins will be slightly larger, ranging up to perhaps 15 percent on the \$5 [one-tenth-ounce] coin. Thus, that smallest gold piece might retail for about \$46 with \$400-an-ounce gold [\$40 for the metal plus a \$6—or 15 percent—premium].

"We decided early on that it would not be practicable for the mint to attempt to take daily orders of ones and twos from individual buyers because these coins must be priced based upon the price of gold at the time of sale," Essner said in a talk to collectors. "We know there will be some price fluctuation among dealers depending on what kind of profit margin they want to make."

The premium on each coin will pay for the mint's production and marketing costs, as well as provide a gross profit for the distributors and retailers. Uncle Sam's share

ranges from a 3 percent premium on the one-ounce coin to 9 percent on the one-tenth-ounce.

The U.S. Mint also intends to sell a one-ounce silver coin to distributors beginning this fall, but it has yet to announce a date. And mint executives will permit collectors to buy proof specimens of the one-ounce gold and silver coins [dated 1986] directly from the government—probably in November.

"We'll advertise the bullion programs, but not as much as we did for the Statue of Liberty [commemorative coins]. The profit margins just aren't there to warrant massive advertising," Essner said. Also, he added, the mint plans no television ads.

At present, Canada produces about two-thirds of all newly minted bullion gold coins. Essner insisted that the mint has no specific market-share target for its programs, but other officials in the Reagan administration have said they hope the gold and silver pieces will become the world's premier bullion coins.

All four gold items—the first of their type ever issued by Uncle Sam—will depict a majestic Miss Liberty on the heads sides and a family of eagles on the tails sides. [U.S. gold coins produced before 1933 originally were for use as money rather than as investor items.]

The \$1 silver coin—containing an ounce of .999 fine silver—will sport a walking Liberty and eagle designs. It will be slightly larger than the U.S. silver dollars minted for circulation a century ago.

● Chicago-area hobbyist Harry X. Boosel has won a medal of merit from the American Numismatic Association in recognition of his 50-plus years of service to the hobby. Boosel is a past ANA governor and past president of the Chicago Coin Club.